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Chairman: Mr. TEIRLINCK (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/49/11)

1. Mr.FLORENCIO (Brazil), speaking also on behalf of certain other States members of the Rio Group - Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela - said that the Committee on Contributions had discharged its mandate under General Assembly resolution 48/223 which was to present a technically sound and politically acceptable scale of assessments. The scale proposed for the period 1995-1997 (A/49/11, para.60), which reflected the wide-ranging transformations of the 1990s, accounted for the biggest transfer of points since the founding of the Organization. That was a notable achievement, given central role of the scale of assessments as the basic source of regular financing, the leading indicator for the rates of assessment for other organizations in the system, and the main element for the definition of the peace-keeping scale. Although the question was one of the most difficult before the Committee, it should be possible to achieve a consensus.

2. He welcomed the step-by-step approach for the phasing out of the scheme of limits as a realistic way of introducing the necessary adjustments in the scale. The concerns expressed by the States or groups of States which had submitted written representations appeared to have been met.

3. At the current session, the General Assembly was required to provide the Committee on Contributions with methodological guidelines to enable it to prepare studies for the next scale of assessments. Referring to the calls for transparency, he said that his delegation welcomed the increased efforts by the Committee to pursue a dialogue with Member States.

4. With regard to the possibility of making the scale simpler, he warned against the temptation to take a simplistic approach. Improvements in the methodology should be incremental, and should be avoided as far as possible. The collective experience of the Fifth Committee, the Committee on Contributions and the Preparatory Commission of the United Nations should be taken into account. Many years previously, the latter had indicated that the main consideration in determining the scale should be capacity to pay, calculated on the basis of national income modified by various factors to avoid anomalous assessments. It was thus clear that the founders of the Organization had viewed national income, taken in isolation, as insufficient. Two other relevant factors were the ability of a State to levy taxes and its ability to secure hard currency, factors which were reflected in the concepts of the low per capita income allowance formula and debt relief. Two further elements of the methodology, the ceiling and the floor, should also be the subject of discussion, bearing in mind the advice of the Preparatory Commission, which had cautioned against efforts unduly to minimize contributions or increase them for reasons of prestige. The acceptance of those elements, which were departures from a strictly technical scale, was justified on political grounds.

5. With respect to other elements of the methodology, he agreed that the national income concept remained the soundest. Continued use should be made of market exchange rates, rather than price-adjusted rates of exchange or purchasing power parity. Calls for frequent changes in the statistical base period should be resisted: the base period should remain long enough to provide for stability in the scale and thus promote a smooth phase-out of the scheme of limits.

6. On the question of establishment of an ad hoc group on the implementation of the principle of capacity to pay, he said that that group should confine itself to discussing the regular budget scale. Since the task to be entrusted to the group gave rise to political as well as technical considerations, it should be interdisciplinary and should reflect the widest possible range of views. It should therefore be an intergovernmental group with expert representation; its conclusions should be submitted to the Committee on Contributions; and it should be provided with regular funding, since voluntary financing might influence its deliberations.

7. Mr. YUSUF (Bangladesh) said that the scale of assessments was of fundamental importance, since it not only dealt with the apportionment of the expenses of the United Nations itself, but also served as a yardstick for the specialized agencies.

8. He hoped that the Fifth Committee would be able to endorse the proposed scale. It should be borne in mind, however, that the credibility of the scale depended primarily upon its universality, equitableness and transparency, as reflected in the application of the principle of capacity to pay. National income should remain the central element, but per capita income, external indebtedness and the availability of foreign exchange were also of crucial importance.

9. The process of financial reform was a difficult and painstaking one and inevitably led to a gradual approach. The "clean slate" approach was therefore not justifiable. He supported the establishment of an ad hoc group on capacity to pay, subject to agreement on its mandate and the modalities of its functioning.

10. Bangladesh endorsed the three-step phase-out of the scheme of limits, and preferred a country-by-country approach. While his delegation did not object to the current 10-year base period, it could accept a 7- or 8-year base period.

11. Noting the frustration which had been voiced in connection with exchange rates, he said that his delegation welcomed the statement that exchange rate issues would be addressed at the next session of the Committee on Contributions and maintained that market exchange rates should be retained for conversion purposes. Lastly, in view of the socio-economic circumstances of the least developed countries, it was imperative that the floor rate should remain applicable to them.

12. Mr. BLUKIS (Latvia), speaking also on behalf of Estonia and Lithuania, said that an equitable apportionment of the regular expenses of the Organization was a precondition for the improvement of its financial situation, which, in turn, was a precondition for the Organization's sound functioning and its ability to discharge its responsibilities under the Charter - the promotion of economic and social cooperation and the maintenance of international peace and security. An inequitable scale reduced confidence in the system, and no transient advantage, such as a lowered assessment rate, could offset that loss of confidence.

13. One inequity in the current scale was that between those States which paid their contributions in full and on time, or which were not fully reimbursed for peace-keeping services in a timely manner, and those which made partial, late payments. The increase in the number of the latter was due, in part, to the genuine inability of some over-assessed States to pay their full contributions when those contributions represented a large percentage of the budgets of their foreign ministries, a fact that was particularly true of the economies in transition.

14. An equitable scale depended upon the application of the same methodology to all Member States, with due regard for their fundamental positions. Capacity to pay required a methodology based exclusively on properly calculated and adjusted national income statistics.

15. For the first time, comparable data, in particular foreign exchange rates, had been used to calculate the rates of assessment for a number of States, thus, facilitating measurement of capacity to pay. The scale had also been improved by the 50 per cent phase-out of the effects of the scheme of limits. Even so, the rates recommended for many countries were still two to four times greater than their capacity-to-pay rates; for the Baltic States, the figure was between 2 and 3.5 times. Further, in the case of 15 Member States the recommended rates had been calculated using an ad hoc methodology based on the excessive rate of a former Member State.

16. While capacity-to-pay rates might not be achievable for all States in the next scale, the option of a full 50 per cent phase-out in 1995, which would in the case of the Baltic States decrease the largest distortion from 3.5 to 2.5 times the capacity-to-pay rate, was available. The Committee on Contributions had sought to balance the interests of weak economies with decreasing rates against those of developed countries with increasing rates. The latter group had an interest in protecting their less-than-capacity-to-pay rates, while the former had the practical problem of having to pay more than their capacity-to-pay rates. In such a situation, the one-step phase-out of the scheme of limits was simple and fair.

17. Mrs. CORADO (Guatemala) said that, while her delegation endorsed the views expressed by the representative of Brazil on behalf of some States members of the Rio Group, it reserved the right to seek a review of the rate recommended for Guatemala following the conclusion of a study of its economic situation. Updated information would then be made available to the Committee on Contributions.

18. Mr. SRAMEK (Czech Republic) said that General Assembly resolution 48/223 had marked the first real step towards improving the obsolete scale methodology. There was no doubt that the scheme of limits and the long statistical base period were the major causes of distortions in the current methodology, distortions which had a particular impact on economies in transition. A reduction in the base period from 10 to 7 or 8 years and a 50 per cent phase-out of the scheme of limits would move the Organization some way towards compliance with the principle of capacity to pay. In that regard, the recommendation for a multiple-step phase-out could not be justified, since the Organization should not tolerate discrepancies between established criteria and their implementation. The ensuing loss of credibility with regard to the scale would undermine efforts to establish a sound financial basis.

19. The scale would also be improved by the application of debt adjustment to all countries and a study of the criteria for converting national income data. Indeed, his delegation favoured more radical methodological changes such as a three-year statistical base period and the immediate elimination of the scheme of limits. Nevertheless, regardless of its views, the Czech Republic had continued to pay its financial obligations in full and on time and without conditions.

20. He welcomed the planned establishment of an ad hoc group on capacity to pay. He took it that membership of the body would be subject to General Assembly approval, and trusted that the group would reach conclusions speedily.

21. Mr. ABIOLA (Nigeria) said that the Committee on Contributions had taken into account the essential elements of its terms of reference as set out in General Assembly resolution 48/223 B, according to which the fundamental criterion in determining the scale of assessments was capacity to pay. In the view of his delegation, the use of national income was the main factor to be used in determining capacity to pay, but the external debt burden should also be taken into consideration.

22. Although its recommendations did not fully meet the expectations of all Member States, his delegation felt that the Committee was to be commended on the manner in which it had fulfilled its mandate. His delegation hoped that the Committee would address the problem of exchange rates in the context of the determination of the scale of assessments and that it would be able to devise well-defined criteria for converting national income data to United States dollars.

23. His delegation would work closely with other delegations to ensure that the valuable suggestions made to the General Assembly the previous week by the Secretary-General concerning ways of achieving a viable financial basis for the Organization were fully examined.

24. Mr. CHABALA (Zambia) said that his delegation concurred with the Committee's recommendation regarding a new scale of assessments for the period 1995-1997, which reflected a 50 per cent phase-out of the effects of the scheme of limits on a country-by-country basis spread over the three years of the

scale. It also supported the Committee's proposal that it should review the new scale in 1997 and it hoped that the Fifth Committee would endorse the Committee's recommendation contained in paragraph 60 of its report (A/49/11).

25. Although certain Member States still felt that their interests were not fully met by the new scale, his delegation was convinced that the position of those States which had made representations to the Committee on Contributions, including those which had previously belonged to the former Soviet Union, had been partially improved and that the assessments for those States would better reflect their capacity to pay when the effects of the scheme of limits had been completely phased out in the scale for the period 1998-2000, in accordance with paragraph 1 (f) of resolution 48/223 B.

26. The new scale represented progress in the implementation of the principle of capacity to pay and, although more remained to be done, in particular in the context of the comprehensive review of all aspects of the scale methodology scheduled to take place at the fiftieth session of the General Assembly, the immediate task of the Fifth Committee was to approve the scale recommended by the Committee on Contributions for the period 1995-1997.

27. His delegation was ready to participate in the work of the ad hoc body that was to be established to study the implementation of the principle of capacity to pay and felt that the ad hoc body should concentrate on improving the existing scale methodology so as better to reflect that fundamental principle.

28. Mr. PASHOVSKI (Bulgaria) considered that the recommendation of the Committee on Contributions in paragraph 60 of its report (A/49/11) would make a positive contribution towards correcting the long-standing scale distortions and more accurately reflecting the capacity to pay of Member States, although some countries, including those with economies in transition, were still considerably over-assessed, mainly as a result of the continuing influence of the scheme of limits and the relatively long base period.

29. His delegation wished to raise two issues with regard to the recommendations of the Committee, both of which not only concerned his own country but were also of more general relevance. The first related to the statistical data used by the Committee and, in particular, its decision to apply once again the exchange rates with premium for the years 1985-1989 which it had used in preparing the 1992-1994 scale. Since the data available for 1985-1990 were inherited from the time when his country had had a centrally planned economy, they did not accurately reflect the existing economic realities at that time, or the present-day realities, or his country's current capacity to pay. His delegation was, however, aware of the complexity of the exchange rate issue and welcomed the Committee's intention to address that matter with a view to establishing well-defined criteria for converting national income data to United States dollars.

30. His delegation's second point of concern was the three-step approach with regard to the phasing out of the scheme of limits over the period 1995-1997. His delegation associated itself with other delegations which were in favour of

the 50 per cent phase-out of the scheme of limits in one step in 1995, based on the Committee's calculations for 1997.

31. The time had come to ensure a fair application of the underlying principle of capacity to pay in determining the scale of assessments and his delegation associated itself with those speakers who had expressed themselves in favour of simplifying the scale methodology and making it more transparent. In a spirit of cooperation, his delegation was willing to consider any convincing proposal for improving the methodology and welcomed General Assembly resolution 48/223 C, in which the Committee on Contributions was requested to undertake a thorough and comprehensive review of all aspects of the scale methodology in order to achieve that end.

32. Ms. PAIK (Republic of Korea) said that her delegation particularly appreciated the efforts made by the Committee on Contributions to strike a balance between the interests of the various Member States through the adoption of a multiple-step approach to the 50 per cent phase-out of the effects of the scheme of limits.

33. Her delegation shared the Committee's frustration about the complexities and ambiguities concerning the multiple sources of exchange rates and supported the Committee's request that the Secretariat should prepare a comprehensive study on that subject for consideration at its next session.

34. It was important to ensure that the mandate of the ad hoc body that was to be established to study the implementation of the principle of capacity to pay complemented rather than duplicated the work of the Committee on Contributions. The composition of the ad hoc body should be based, in particular, on the principle of equitable geographical representation.

35. Her country shared the concerns expressed by the Secretary-General about the grave financial situation facing the United Nations and would make further comments on that matter at an appropriate time.

36. In conclusion, her delegation hoped that the Member States would reach a consensus on the adoption of the scale of assessments for the years 1995-1997 recommended by the Committee on Contributions.

37. Mr. DUBČEK (Slovakia) said that unfortunately the Fifth Committee all too often allowed its consideration of legal and economic issues to be dominated by political considerations, to the disadvantage of the weaker and smaller countries, including the developing countries and those, like his own, with economies in transition. The contributions of his own country, and of a number of others, were over twice as high as they would have been if the principle of capacity to pay, based on national income and the external debt burden, had been applied. His delegation was therefore unable to support the recommendation of the Committee on Contributions contained in paragraph 60 of its report (A/49/11); it pointed out, in that connection, that resolution 48/223 B had not provided for the effects of the scheme of limits to be phased out in three steps during one scale period. The distortions in the scale of assessment should be

eliminated as early as possible. That would not only be in the interests of his own country and of a large group of other Member States, but would also help to redress the current critical financial situation facing the United Nations.

38. Mr. MONAYAIR (Kuwait) said that the main criterion for determining the scale of assessments for the contributions of Member States was capacity to pay. The implementation of that principle had to take into account various circumstances, particularly those faced by developing countries.

39. The greatest challenge facing the Committee on Contributions had been to develop the current methodology so as to make it reflect more accurately the economic and political developments in Member States while, at the same time, simplifying it and making it more equitable and more transparent. The changes proposed by the Committee on Contributions to the methodology which had been used in calculating the proposed scale of assessments for the next three years were a positive step. His delegation was in favour of reducing the statistical base period from 10 to 7 or 8 years and was also in favour of the 50 per cent phase-out of the effects of the scheme of limits on a country-by-country basis over a three-year period. It was aware of the difficulties with which the Committee on Contributions had had to contend, in particular, in connection with the complexities of the exchange rate to which it had referred in paragraph 50 of its report (A/49/11), and it hoped that the Committee would continue to study that matter at its next session. The current methodology was the result of a great deal of study and his delegation considered that it would be preferable to introduce any necessary changes gradually rather than to devise an entirely new methodology.

40. His delegation supported the recommendation of the Committee on Contributions in paragraph 60 of its report and hoped that it would be adopted by consensus.

The meeting rose at 4.40 p.m.